

**SIOUX RIVERS MENTAL HEALTH  
AND DISABILITIES SERVICES**

**Independent Auditors' Reports  
Basic Financial Statements and  
Schedule of Findings and Questioned Costs**

**June 30, 2015**

## Sioux Rivers Mental Health and Disabilities Services

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## **SIOUX RIVERS MENTAL HEALTH AND DISABILITIES SERVICES**

### **Regional Governance Board**

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<u>Name</u>	<u>Title</u>	<u>Representing</u>
Mark Loutsch	Chairman	Plymouth County
Dennis Wright	Co-Chairman	Sioux County
Jim Henrich	Member	Plymouth County
Mark Sybesma	Member	Sioux County
Mark Monsen	Member	Woodbury County
Matthew Ung	Member	Woodbury County
David Van Ningen	Ex-Officio	Provider
Mike Wood	Ex-Officio	Consumer



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## INDEPENDENT AUDITORS' REPORT

To the Regional Governance Board of  
Sioux Rivers Mental Health and Disabilities Services

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Sioux Rivers Mental Health and Disabilities Services (the Region), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Region's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Mental Health funds of Cherokee County, which statements reflect total assets of \$0.00 and total revenues of \$371,391 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Region, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

### *Basis for Adverse Opinion on Governmental Activities*

As discussed in Note 5 to the financial statements, management has not recorded a liability for compensated absences in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. U.S. generally accepted accounting principles require compensated absences attributable to employee services already rendered and not contingent on a specific event outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of governmental activities. The amount by which this departure affects the liabilities, net position and expenses of governmental activities has not been determined.

Also, as discussed in Note 5 to the financial statements, management has not recorded a liability for other postemployment benefits (OPEB) in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. U.S. generally accepted accounting principles require the Region's annual OPEB costs based on the annual required contribution of the Region, an amount actuarially determined in accordance with GASB Statement No. 45, be accrued as liabilities and expenses, which would increase the liabilities, reduce the net position and change the expenses of governmental activities. The amount by which this departure affects the liabilities, net position and expenses of governmental activities has not been determined.

In addition, as discussed in Note 5 to the financial statements, management has not recorded a net pension liability, deferred outflows of resources or deferred inflows of resources related to pensions in governmental activities and, accordingly, has not recorded pension expense for the current period change in that liability, deferred outflows of resources or deferred inflows of resources. U.S. generally accepted accounting principles require pension costs attributable to employee services already rendered be accrued as liabilities, deferred outflows of resources, deferred inflows of resources and expenses, which would increase the liabilities, deferred outflows of resources and/or deferred inflows of resources, reduce the net position and change the expenses of governmental activities. The amount by which this departure affects the deferred outflows of resources, liabilities, deferred inflows of resources, net position and expenses of governmental activities has not been determined.

### *Adverse Opinion*

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion on Governmental Activities* paragraphs above, the Statement of Net Position and the Statement of Activities of the governmental activities do not present fairly the financial position of the governmental activities of Sioux Rivers Mental Health and Disabilities Services, as of June 30, 2015, or the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### *Unmodified Opinions*

In our opinion, based on our audit and the reports of the other auditors, the accompanying Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances of each major fund present fairly, in all material respects, the financial position of Sioux Rivers Mental Health and Disabilities Services, as of June 30, 2015 and the changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted management's discussion and analysis which U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such omitted information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by the omitted information.

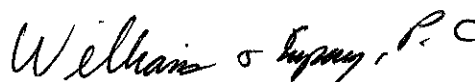
### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sioux Rivers Mental Health and Disabilities Services' basic financial statements. The supplementary information included in Schedule 1, the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated April 26, 2016, on our consideration of Sioux Rivers Mental Health and Disabilities Services' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sioux Rivers Mental Health and Disabilities Services' internal control over financial reporting and compliance.



Certified Public Accountants

Le Mars, Iowa  
April 26, 2016

**Sioux Rivers Mental Health and Disabilities Services**  
**Statement of Net Position**  
**June 30, 2015**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 7,049,548
Receivables:	
Property taxes:	
Delinquent	29,819
Succeeding year	4,938,543
Interest Receivable	233
Due from other governments	171,974
<b>Total assets</b>	<u>12,190,117</u>
<b>Liabilities</b>	
Accounts payable	514,441
Salaries and benefits payable	4,537
Due to other governments	2,829
<b>Total liabilities</b>	<u>521,807</u>
<b>Deferred Inflows of Resources</b>	
Unavailable revenue- succeeding year property taxes	<u>4,938,543</u>
<b>Net Position</b>	
Restricted for mental health purposes	<u><u>\$ 6,729,767</u></u>

See accompanying notes to financial statements

**Sioux Rivers Mental Health and Disabilities Services**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants Contributions</u>	
Governmental Activities:				
Mental health	\$ 5,861,048	\$ 8,713	\$ 3,506,536	\$ (2,345,799)
General Revenues:				
Property tax levied for:				
Mental health purposes				4,712,092
State tax credits				298,803
Unrestricted investment earnings				2,605
Miscellaneous				58,384
Special item - initial contributions				
from member counties				4,713,563
Special item - fund balance transferred				
to different region				(709,881)
Total general revenues				9,075,566
Change in net position				6,729,767
Net position - beginning				-
Net position - ending				\$ 6,729,767

See accompanying notes to financial statements



**Sioux Rivers Mental Health and Disabilities Services**  
**BALANCE SHEET**  
**Governmental Funds**  
**JUNE 30, 2015**

	<b>Fiscal Agent</b>	<b>Woodbury County</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,433,398	\$ 2,478,776
Receivables:		
Property tax		28,951
Future property tax		3,564,086
Interest Receivable	233	
Due from member counties	283,075	
Due from other governmental agencies		122,053
Total assets	<u>3,716,706</u>	<u>6,193,866</u>
<b>Liabilities</b>		
Accounts Payable	283,290	163,754
Due to fiscal agent		
Due to other governmental agencies		
Salaries and benefits payable		4,476
Total liabilities	<u>283,290</u>	<u>168,230</u>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - future property tax		3,564,086
Unavailable revenue - delinquent property tax		28,316
Total Deferred Inflows of Resources	<u>-</u>	<u>3,592,402</u>
<b>Fund Balances</b>		
Restricted for:		
Mental Health Purposes	<u>3,433,416</u>	<u>2,433,234</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,716,706</u>	<u>\$ 6,193,866</u>

See accompanying notes to financial statements

Plymouth County	Sioux County	Cherokee County	Elimination Entries	Region Total
\$ 329,937	\$ 807,437	\$ -	\$ -	\$ 7,049,548
212	656			29,819
363,771	1,010,686			4,938,543
				233
			(283,075)	-
35,622	14,299			171,974
729,542	1,833,078	-	(283,075)	12,190,117
15,626	51,771			514,441
283,075			(283,075)	-
2,766	63			2,829
	61			4,537
301,467	51,895	-	(283,075)	521,807
363,771	1,010,686			4,938,543
188	526			29,030
363,959	1,011,212	-	-	4,967,573
64,116	769,971			6,700,737
\$ 729,542	\$ 1,833,078	\$ -	\$ (283,075)	12,190,117

Amounts reported for governmental activities in the Statement of Net Position are different because certain long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows in the governmental funds.

Net position of governmental activities	29,030
	<u>\$ 12,219,147</u>

**Sioux Rivers Mental Health and Disabilities Services**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	<b>Fiscal Agent</b>	<b>Woodbury County</b>
<b>Revenues:</b>		
Property and Other County Taxes	\$ -	\$ 3,105,956
Intergovernmental Revenues		
State Tax Credits		199,319
Payments from Member Counties	2,286,028	
Payments MHDS Fiscal Agent to MHDS Regional Members		
Mental Health and Disability Services Equalization	2,768,048	
Social Services Block Grant		504,071
Other Intergovernmental Revenue		4,275
Total Intergovernmental Revenue	5,054,076	707,665
Charges for Services		6,600
Use of Money and Property	2,605	
Miscellaneous		10,652
Total Revenue	5,056,681	3,830,873
<b>Expenditures:</b>		
Services to Persons With:		
Mental Illness	933,189	2,320,576
Intellectual Disability	570,380	75,978
Other Developmental Disabilities	-	25,349
Total Direct Services to Consumers	1,503,569	2,421,903
General Administration:		
Direct Administration	28,047	154,037
Purchased Administration	4,000	
Distribution to MHDS Regional Fiscal Agent		1,015,568
Fiscal Agent Reimbursement to member Counties	87,649	
Total General Administration	119,696	1,169,605
County Provided Case Management		309,392
Total Mental Health, Intellectual Disabilities and Developmental Disabilities Expenditures	1,623,265	3,900,900
Excess (Deficiency) of Revenues Over Expenditures	3,433,416	(70,027)
Special Item - Initial Contributions from member Counties		2,503,261
Special Item - Fund Balance Transferred to Different Region		
Net Change in Fund Balance	3,433,416	2,433,234
Fund Balance Beginning of Year	-	-
Fund Balance End of Year	\$ 3,433,416	\$ 2,433,234

Amounts reported for governmental activities in the Statement of Activities are different because some revenues will not be collected for several months after the Region's year end, therefore, are not considered available revenues in the governmental funds

Change in net position of governmental activities

Plymouth County	Sioux County	Cherokee County	Elimination Entries	Region Total
\$ 346,753	\$ 980,425	\$ 249,928	\$ -	\$ 4,683,062
22,435	61,230	15,819		298,803
			(2,286,028)	-
		87,649	(87,649)	-
				2,768,048
149,393	59,967	17,275		730,706
	3,507			7,782
171,828	124,704	120,743	(2,373,677)	3,805,339
	2,113			8,713
				2,605
47,012		720		58,384
565,593	1,107,242	371,391	(2,373,677)	8,558,103
434,893	291,250	69,585		4,049,493
58,912	422,670			1,127,940
	9,137			34,486
493,805	723,057	69,585	-	5,211,919
44,602	44,026	65,025		335,737
				4,000
885,155	385,305		(2,286,028)	-
			(87,649)	-
929,757	429,331	65,025	(2,373,677)	339,737
				309,392
1,423,562	1,152,388	134,610	(2,373,677)	5,861,048
(857,969)	(45,146)	236,781	-	2,697,055
922,085	815,117	473,100		4,713,563
		(709,881)		(709,881)
64,116	769,971	-	-	6,700,737
-	-	-	-	-
\$ 64,116	\$ 769,971	\$ -	\$ -	\$ 6,700,737

29,030

\$ 6,729,767

See accompanying notes to financial statements

# SIoux RIVERS MENTAL HEALTH AND DISABILITIES SERVICES

## Notes to the Financial Statements

June 30, 2015

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### Note 1 – Summary of Significant Accounting Policies

Sioux Rivers Mental Health and Disability Services is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The Region includes the following member counties: Woodbury, Plymouth and Sioux County. It also includes Cherokee County for the period from July 1 through December 31, 2014 at which time Cherokee County joined a different region. The member counties entered into this 28E agreement on November 18, 2014 to create a mental health and disability service regional administrative entity as described by Chapter 331.389 of the Code of Iowa to provide local access to mental health and disability services for adults and to engage in any other related activity in which an Iowa 28E organization may lawfully be engaged.

The Region governing board is comprised of at least two board of supervisors' members, or their designees, from each member county. The governing board also includes one individual who utilizes mental health and disability services and one who is a mental health provider, serving in a nonvoting, ex officio capacity.

Sioux Rivers Mental Health and Disability Services designated Woodbury County as the fiscal agent to account for all funds of the organization as permitted by Chapter 331.391 of the Code of Iowa.

The Region's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board except as noted in the notes. The financial statements of the Region are intended to present the financial position and the changes in financial position of Sioux Rivers Mental Health and Disability Services, which includes funds held by the Region's fiscal agent and funds held by the individual member counties in their respective special revenue mental health funds. Capital assets used for mental health purposes are owned by the respective member counties and, accordingly, are not reported in these financial statements.

#### A. Reporting Entity

For financial reporting purposes, Sioux Rivers Mental Health and Disability Services has included all funds, organizations, agencies, commissions and authorities. The Region has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Region are such that exclusion would cause the Region's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Region to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Region. The Region has no component units which meet the Governmental Accounting Standards Board criteria.

#### B. Basis of Presentation

Entity-wide financial statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of the Region.

The Statement of Net Position presents the Region's assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following category:

# SIOUX RIVERS MENTAL HEALTH AND DISABILITIES SERVICES

## Notes to the Financial Statements

June 30, 2015

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### Note 1 – Summary of Significant Accounting Policies – (Continued)

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions and interest restricted to meeting the operational requirements of a particular function. Property and other county tax, state tax credits, unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Region reports the following major governmental funds:

Special Revenue:

Mental Health Fund (Fiscal Agent) is used to account for the activity of the Region not expended directly from the Mental Health Funds of the individual member counties.

Member County Mental Health Funds are used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

#### C. Measurement Focus and Basis of Accounting

The entity-wide financial statements are reported using economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Region considers revenues to be available if they are collected by the Region or member county within 90 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measureable and available only when cash is received by the Region or member county.

# **SIOUX RIVERS MENTAL HEALTH AND DISABILITIES SERVICES**

## **Notes to the Financial Statements**

**June 30, 2015**

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### **Note 1 – Summary of Significant Accounting Policies – (Continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Region funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Region's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Region's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

#### **D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most Region funds are pooled and invested with their respective County. Interest earned on investments is recorded either by the fiscal agent or the member county mental health fund unless otherwise provided by law.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by each member county board of supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by each member county board of supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, each member county board of supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the entity-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period of July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by each member county board of supervisors in March 2014.

# SIoux RIVERS MENTAL HEALTH AND DISABILITIES SERVICES

## Notes to the Financial Statements

June 30, 2015

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### Note 1 – Summary of Significant Accounting Policies – (Continued)

Due from and Due to Other Members – During the course of its operations, the Region has numerous transactions between member counties. To the extent certain transactions between member counties had not been paid or received as of June 30, 2015, balances of member county interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the Region and payments for services which will be remitted to other governments.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within ninety days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by the law through constitutional provisions or enabling legislation.

### Note 2 – Cash and Investments

The Region's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Region is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Region; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.



# **SIOUX RIVERS MENTAL HEALTH AND DISABILITIES SERVICES**

## **Notes to the Financial Statements**

**June 30, 2015**

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### **Note 2 – Cash and Investments (Continued)**

The Region had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

### **Note 3 – Special Item – Initial Contributions from Member Counties**

Sioux Rivers Mental Health and Disability Services began operations July 1, 2014. The ending balances of the Mental Health Funds of each member county as of June 30, 2014 are reported as initial contributions from member counties in the Statement of Activities.

### **Note 4 – Special Item – Fund Balance Transferred to Different Region**

On December 31, 2014, Cherokee County withdrew from the Region and transferred their remaining resources to a different region.

### **Note 5 – Compensated Absences, Other Post Employment Benefits (OPEB) and Pension Plan**

In accordance with statements of understanding between the Regional Governance Board and each individual member county board of supervisors, the Regional Chief Executive Officer, the Coordinators of Disability Services and all support staff of the Region remain employees of the respective individual member counties. The applicable portion of the employee's wages and benefits are reimbursed to the individual member county from the Region.

The individual member county employees also accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Also, the individual member county employees are provided other postemployment and pension benefits. U.S. generally accepted accounting principles require deferred outflows of resources, liabilities, deferred inflows of resources and related expenses to be recorded when incurred for these items on the governmental activities financial statements. The Region's governmental activities financial statements do not report these amounts.

### **Note 6 – Risk Management**

The Region is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Region assumed liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past year.

## SUPPLEMENTARY INFORMATION

# SIoux RIVERS MENTAL HEALTH AND DISABILITIES SERVICES

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Schedule 1

Grantor/Program	CFDA Number	Program Expenditures
Indirect:		
U.S. Department of Health and Human Services:		
Iowa Department of Human Services		
(\$730,706 provided to subrecipients)	93.667	\$ 730,706

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Sioux Rivers Mental Health and Disabilities Services and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditors' report.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Regional Governance Board of  
Sioux Rivers Mental Health and Disabilities Services

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sioux Rivers Mental Health and Disabilities Services, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated April 26, 2016. Our report expressed unmodified opinions on the financial statements of each major fund. Our report expressed an adverse opinion on the financial statements of the governmental activities due to the omission of compensated absences, other postemployment benefits and pension related activity. Our report includes a reference to other auditors who audited the Mental Health Funds of Cherokee County as described in our report on Sioux Rivers Mental Health and Disabilities Services financial statements. This report does not include results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Sioux Rivers Mental Health and Disabilities Services' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sioux Rivers Mental Health and Disabilities Services' internal control. Accordingly, we do not express an opinion on the effectiveness of the Sioux Rivers Mental Health and Disabilities Services' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Sioux Rivers Mental Health and Disabilities Services' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Region's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Region. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### ***Sioux Rivers Mental Health and Disabilities Services' Response to Findings***

Sioux Rivers Mental Health and Disabilities Services' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Sioux Rivers Mental Health and Disabilities Services' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Region's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Region's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sioux Rivers Mental Health and Disabilities Services during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
Certified Public Accountants

Le Mars, Iowa  
April 26, 2016



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Regional Governance Board of  
Sioux Rivers Mental Health and Disabilities Services

***Report on Compliance for Each Major Federal Program:***

We have audited Sioux Rivers Mental Health and Disabilities Services' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2015. Sioux Rivers Mental Health and Disabilities Services' major federal program is identified in Part I of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Sioux Rivers Mental Health and Disabilities Services' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sioux Rivers Mental Health and Disabilities Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Sioux Rivers Mental Health and Disabilities Services' compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Sioux Rivers Mental Health and Disabilities Services complied, in a material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

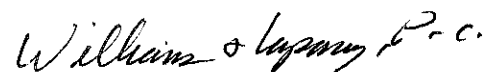
## Report on Internal Control Over Compliance

The management of Sioux Rivers Mental Health and Disabilities Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sioux Rivers Mental Health and Disabilities Services internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sioux Rivers Mental Health and Disabilities Services' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

April 26, 2016  
Le Mars, Iowa

**SIOUX RIVERS MENTAL HEALTH AND DISABILITIES SERVICES**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

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**Part I: Summary of the Independent Auditor's Results**

- (a) A modified opinion was issued on the governmental activities financial statements. Unmodified opinions were issued on the governmental fund financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) No audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a) were noted.
- (g) The major program was CFDA Number 93.667 – Social Services Block Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sioux Rivers Mental Health and Disabilities Services did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements Reported in Accordance with Government Auditing Standards**

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**Part III: Findings and Questioned Costs Related to Federal Expenditures**

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**Part IV: Other Findings Related to Required Statutory Reporting**

- IV-A-15**      Region Minutes – No transactions were found that we believe should have been approved in the Region minutes but were not.
- IV-B-15**      Travel Expenses – No disbursements of Region money for travel expenses of spouses of Region officials or employees were noted.
- IV-C-14**      Deposits and Investments – No Instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Region's investment policy were noted.
- IV-D-14**      Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.



**SIOUX RIVERS MENTAL HEALTH AND DISABILITIES SERVICES**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

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**Part IV: Other Findings Related to Required Statutory Reporting**

**IV-E-15** Business Transactions – Business transactions between the Region and Region Officials are detailed as follows:

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Name, Title and Business Connection	Transaction Description	Amount
Walter Media, Son of Executive Director	IT Support and Supplies	\$ 4,430

This transaction may represent a conflict of interest and the Region should contact legal council for determination.